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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/536,258	03/27/2000	Gary L. Gastineau	11657-003001	3646

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EXAMINER

CHARLES, DEBRA F

ART UNIT PAPER NUMBER

3628

DATE MAILED: 04/13/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

## Office Action Summary

**Application No.**

09/536,258

**Applicant(s)**

GASTINEAU ET AL.

**Examiner**

Debra F. Charles

**Art Unit**

3628

NW

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 05 January 2004.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-20 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-20 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892)   | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)   | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)             |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)<br>Paper No(s)/Mail Date <u>6, 12</u> . | 6) <input type="checkbox"/> Other: _____  |

***Response to Amendment***

1. Claims 1-20 have been amended.

***Response to Arguments***

2. The examiner's 101 objection is reversed in light of amendments to the claims.

***Claim Rejections - 35 USC § 103***

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

4. Claims 1-4,6-7,8-11 and 13-14 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kiron et al. (U.S. PAT. 5806048A) and Pilipovic (U.S. PAT. 6456982B1).

Re claims 1 and 8: Kiron et al. disclose a method of hedging investment risk in actively managed exchange traded funds(col. 1, lines 40-55 and col. 2, lines 1-20, col. 3, lines 1-10), comprises:

selecting a portfolio of financial instruments with similar behavior (col. 3, lines 1-10, col. 4, lines 5-35).

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Kiron et al. disclose(s) the claimed invention except extracting factor information from the portfolio of the actively managed exchange traded fund; determining factors that affect the value of the exchange traded fund; and determined factors to produce a hedging portfolio that tracks the price of the exchange traded fund. However, in col. 7, lines 20-30, col. 8, lines 10-40 thereof, Pilipovic disclose(s) hedging and driver factors that determine price. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. based on the teachings of Pilipovic. The motivation to combine these references is Pilipovic's econometric model extracts relevant econometric parameters that influence the price of the hedging strategy.

Re claims 2 and 9: Kiron et al. disclose wherein the portfolio tracks the price of the exchange traded fund(col. 3, lines 1-15).

Re claims 3 and 10: Kiron et al. disclose producing a portfolio from the portfolio of financial instruments in the exchange traded fund(col. 7, lines 1-15).

Kiron et al. disclose(s) the claimed invention except to hedge a position taken. However, in col. 2, lines 50-67, col. 21, lines 10-55 thereof, Pilipovic disclose(s) hedging a position. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. based on the teachings of Pilipovic. The motivation to combine these references is Pilipovic explicitly discusses hedging and Kiron et al. discusses using linked derivatives valuation techniques. Derivatives do function as hedges, however, Pilipovic provides explicit detail on hedging strategies.

Re claims 4 and 11: Kiron et al. disclose(s) the claimed invention except applying factor analysis to the portfolio of the exchange traded fund to provide the factors. However, in col. 4, lines 20-55, col. 8, lines 20-40 thereof, Pilipovic disclose(s) factor analysis used to establish pricing. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. based on the teachings of Pilipovic. The motivation to combine these references is Pilipovic's factor analysis defines driving factors that define the price used to make buy, sell and hold.

Re claims 6 and 13: Kiron et al. disclose(s) the claimed invention except the factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity. However, in col. 4, lines 20-40, col. 7, lines 15-45 thereof, Pilipovic disclose(s) multi-factor model for simulating, pricing and hedging financial products. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. based on the teachings of Pilipovic. The motivation to combine these references is the factors that are a part of Pilipovic's multifactor model present economic activity influenced by inflation rates. Pricing is influenced by inflation rates.

Re claims 7 and 14: Kiron et al. disclose(s) constructing a factor portfolio based upon weightings and selections of securities from a given group of securities(col. 3, lines 1-10, 45-63, col. 4, lines 5-10, col. 6, lines 1-10).

5. Claims 5 and 12 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kiron et al. and Pilipovic as applied to claims 3 and 11 above, and further in view of Meyers et al. (U.S. PAT. 5937159A).

Re claims 5 and 12: Kiron et al. and Pilipovic disclose(s) the claimed invention except applying occurs in a trusted computer system. However, in Abstract, cols. 1-26 thereof, Meyers et al. disclose(s) a trusted secure computer system. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. and Pilipovic based on the teachings of Meyers et al. The motivation to combine these references is both Kiron et al. and Pilipovic easily fit onto trusted secure computer systems which are widely used for financial applications.

6. Claims 15-19 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kiron et al., Pilipovic and Meyers et al.

Re claims 15-18: Kiron et al. disclose a computer system for determining a basket of securities for hedging investment risk in actively managed exchange traded funds(col. 1, lines 40-55 and col. 2, lines 1-20, col. 3, lines 1-10), comprises:

a computer storage medium storing a computer program product for determining the basket of instruments for hedging investment risk(col. 4, lines 35-55), comprising instructions for causing the computer to:

select a portfolio of financial instruments with similar behavior(col. 3, lines 1-10, col. 4, lines 5-35);

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produce a hedging portfolio from the portfolio of in the exchange traded fund(col. 7, lines 1-15).

Re claim 15-18: Kiron et al. disclose(s) the claimed invention except extract factor information from a portfolio of an actively managed exchange traded fund; determine factors that affect the price of the exchange traded fund; and determined factors to produce a hedging portfolio that tracks the price of the exchange traded fund, stocks to hedge a position taken, apply factor analysis to the portfolio of the exchange traded fund to provide the factors, system examines factors including economic activity, inflation rates or other factors that are related to measures of economic activity. However, in col. 2, lines 50-67, col. 4, lines 20-55, col. 7, lines 20-30, col. 8, lines 20-40, col. 21, lines 10-55, thereof, Pilipovic disclose(s) hedging and driver factors that determine price, factor analysis used to establish pricing, hedging a position. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. based on the teachings of Pilipovic. The motivation to combine these references is Pilipovic's econometric model extracts relevant econometric parameters that influence the price of the hedging strategy.

Re claim 15: Kiron et al. and Pilipovic disclose(s) the claimed invention except applying occurs in a trusted computer system. However, in Abstract, cols. 1-26 thereof, Meyers et al. disclose(s) a trusted secure computer system. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. and Pilipovic based

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on the teachings of Meyers et al. The motivation to combine these references is both Kiron et al. and Pilipovic easily fit onto trusted secure computer systems which are widely used for financial applications.

Re claim 19: Kiron et al. disclose(s) construct a factor portfolio based upon weightings and selections from a given group of instruments(col. 3, lines 1-10, 45-63, col. 4, lines 5-10, col. 6, lines 1-10).

7. Claim 20 is rejected under 35 U.S.C. 103(a) as being unpatentable over Kiron et al. and Pilipovic.

Re claim 20: Kiron et al. disclose(s) a method of calculating a Net Asset Valuation proxy(col. 2, line 55-col. 3, line 15, new linked derivative security functions as proxy) comprises:

Kiron et al. disclose(s) the claimed invention except producing a hedging portfolio to track by extracting factor information from a portfolio of the fund and determining factors that affect the price of the fund with respect to the determined factors to produce the hedging portfolio. However, in col. 2, lines 50-67, col. 4, lines 20-55, col. 7, lines 20-30, col. 8, lines 20-40, col. 21, lines 10-55, thereof, Pilipovic disclose(s) hedging and driver factors that determine price, factor analysis used to establish pricing, hedging a position. It would be obvious to one of ordinary skill in the art to modify the invention of Kiron et al. based on the teachings of Pilipovic. The motivation to combine



these references is Pilipovic's econometric model extracts relevant econometric parameters that influence the price of the hedging strategy.

8. Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Debra F. Charles whose telephone number is (703) 305-4718. The examiner can normally be reached on 9-5 Monday thru Friday.


If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Frantzy Poinvil can be reached on (703) 305-9779. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Debra F. Charles  
Examiner  
Art Unit 3628

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